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ASX/MEDIA RELEASE

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SAUDI ARABIA AND OMAN PROJECTS UPDATE

Saudi Arabia

- Opportunities to move the Khnaiguiyah Zinc-Copper Project forward are being actively pursued, notwithstanding that the previously signed HoA with the Khnaiguiyah Project Joint Venture partner remains stalled.
- Interest in the Khnaiguiyah Project continues to increase due to the strength of the Project itself and bolstered by the increasing worldwide zinc market deficit.

Oman

- Options Analysis Study outcomes have been incorporated into an updated Scoping Study.
- Scoping Study has been concluded with favourable outcomes indicated Scoping Study results will be announced when the report is finalised.

Perth: Alara Resources Limited (ASX: AUQ) (Alara or Company) is pleased to provide a general update on the progress of its projects in Saudi Arabia and Oman.

KHNAIGUIYAH PROJECT UPDATE

JOINT VENTURE (JV) HEADS OF AGREEMENT IMPLEMENTATION

As previously announced ^{1 & 2} Alara and its Joint Venture (JV) partner, United Arabian Mining Company LLC (Manajem) entered into an updated JV agreement (HoA) (the 'New JV Agreement') for the Khnaiguiyah Project whereby Alara would move from its current 50% equity position to 60% equity in the JV Company, Khnaiguiyah Mining Company (KMC). In turn, this agreement resolved all outstanding historical matters between the parties and would thus allow the Khnaiguiyah JV and Project to move forward.

The Company subsequently announced ³ that the implementation of the New JV Agreement, which includes a Road Map outlining the steps the parties have agreed to undertake to give effect to the New JV Agreement, had reached an impasse.

As a result of this impasse, Alara has stayed preparations for a General Meeting to seek Alara shareholder approval for the issue of the shares required to affect the equity transfer to Manajem under the New JV Agreement. The Company will recommence this activity once the Mining License transfer from Manajem to KMC is underway.

In spite of the current impasse with the New JV Agreement, Alara is maintaining an open stance and approach to this agreement with Manajem, while also having recently offered Manajem an alternate opportunity to move the Khnaiguiyah Project forward. The Company continues to explore and advance all reasonable means to resolve the New JV Agreement and Project impasse as soon as practical.

PROJECT ACTIVITY

Refer Alara's ASX market announcement dated 14 March 2014 and entitled "Alara Moving to 60% Interest in the Khnaiguiyah Project"

Refer Alara's ASX market announcement dated 4 June 2014 entitled "Khnaiquiyah Project Joint Venture Agreement Has Reached Impasse".



Refer Alara's ASX market announcement dated 4 April 2014 entitled "Completion of Agreement for Updated Khnaiquiyah Project Joint Venture".

As previously reported, based on the outcomes of a Definitive Feasibility Study (DFS) Peer Review for the Khnaiguiyah Project (conducted 20 to 21 March 2014), coupled with additional review of the Project, the following potential Project enhancements were identified for further study:

- Water supply opportunities;
- > Heavy media separation (HMS) evaluation for the ore:
- Optimisation of the comminution circuit;
- Plant ore feed grind size optimisation; and
- > Bulk product transportation/shipping versus a container based approach.

Studies were commenced for the HMS and comminution circuit potential enhancements. These studies are now being completed. Alara does not intend to expend further funds on the Project or its optimisation until a clear way forward has been identified and progressed.

OMAN UPDATE

Following the successful completion of the Oman Project Options Analysis Study⁴ (Study), Option #2 (HMS followed by a smaller scale conventional flotation circuit) and Option #3 (HMS followed by a larger scale (x2) conventional flotation circuit) of the Options Analysis Study have been progressed into an upgraded Scoping Study that has been completed this month (July). Results of the Scoping Study will be announced once the associated report is finalised.

MANAGING DIRECTOR'S COMMENT:

"Although there is significant frustration at the current impasse for the Khnaiguiyah Project JV, it is precisely these challenges and circumstances that can strengthen (or make!) a company, while often also opening the door to otherwise unforeseen opportunity. Alara will continue to honour the New JV Agreement while simultaneously exploring all avenues and approaches to move the robust and exciting Khnaiguiyah Project forward. In turn, we could not be more optimistic about the further strengthening of our Oman Project options and the prospects as we advance here. We are currently progressing these opportunities as rapidly as possible."

Philip H Hopkins Managing Director

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About Alara Resources

Alara Resources Limited (ASX: AUQ) is an Australian-based minerals exploration and mine development company with a portfolio of projects in Saudi Arabia and Oman. Alara has completed a Definitive Feasibility Study (DFS) on its flagship Khnaiguiyah Zinc-Copper Project in Saudi Arabia and a Scoping Study on its Daris/Washihi Copper-Gold Project in Oman. The Company is now transitioning towards establishing itself as an emerging base and precious metals mine development and production company.

For more information, please visit: www.alararesources.com.

Refer Alara's ASX market announcement dated 13 June 2014 entitled "Oman Project Update Positive Options Analysis Study Outcomes"